

CITY STORES COMPANY

and

Consolidated Statements with Subsidiary Companies

Annual Report

to the

Stockholders

JANUARY 31, 1939

BOARDS

q 658.27

C498r

DIRECTORS

ALFRED BLASBAND	Philadelphia, Pa.
SAUL COHN	Newark, N. J.
WILLIAM D. GORDON	Philadelphia, Pa.
ALBERT M. GREENFIELD	Philadelphia, Pa.
WALTER T. GROSSCUP	Philadelphia, Pa.
GEORGE H. JOHNSON	Philadelphia, Pa.
JOSEPH H. LOVEMAN	Birmingham, Ala.
ERNEST W. NIVER	New York, N. Y.
PAUL H. SAUNDERS	New Orleans, La.
HARRY W. SCHACTER	Louisville, Ky.
HERBERT J. SCHWARTZ	New Orleans, La.
HARRY G. SUNDHEIM	Philadelphia, Pa.
JOHN J. TURTELTAUB	New York, N. Y.

OFFICERS

ALBERT M. GREENFIELD	<i>Chairman of the Board</i>
SAUL COHN	<i>President</i>
WILLIAM D. GORDON	<i>Executive Vice President and Treasurer</i>
LOUIS N. BATOFF	<i>Secretary</i>
HUGO D. WALZ	<i>Assistant Secretary and Controller</i>
IRWIN S. JOSEPH	<i>Assistant Treasurer</i>

TRANSFER AGENT CENTRAL HANOVER BANK & TRUST CO.
70 Broadway, New York, N. Y.

REGISTRAR THE CHASE NATIONAL BANK OF THE
CITY OF NEW YORK
11 Broad Street, New York, N. Y.

AUDITORS ERNST & ERNST
19 Rector Street, New York, N. Y.

April 25, 1939.

To the Stockholders of

CITY STORES COMPANY:

The annual report of your Company for the fiscal year ended January 31, 1939 is submitted herewith, together with certification by Messrs. Ernst & Ernst, our independent auditors. Continuing the policy followed by the Company in previous years, the report includes separate balance sheets of City Stores Company (parent company) and each of its subsidiary companies at January 31, 1939; also profit and loss statement and surplus account of the parent company and consolidated profit and loss statement and surplus accounts of City Stores Company and its subsidiaries combined for the fiscal year ended January 31, 1939.

SALES AND EARNINGS

Net sales for the fiscal year ended January 31, 1939, including sales of leased departments, amounted to \$36,850,877.65, compared with \$40,184,459.27 for the preceding year. Nationwide unsatisfactory business conditions which existed during the closing months of the previous year continued throughout the greater part of 1938, causing a decline in our net annual sales following increases during the five preceding years.

A summary of the total annual sales of the subsidiary companies of City Stores Company for the past six fiscal years is given in the following table:

FISCAL YEAR ENDED JANUARY 31,	TOTAL NET SALES
1939.....	\$36,850,877.65
1938.....	40,184,459.27
1937.....	38,436,183.59
1936.....	33,557,665.40
1935.....	32,088,320.59
1934.....	29,524,559.00

Net profits of subsidiary companies of City Stores Company for the fiscal year ended January 31, 1939 as compared with the two preceding years, before deducting federal and state income taxes and surtaxes on undistributed profits, minority interest proportion, and interest on parent company's funded debt, but after eliminating inter-company dividends, were as follows:

FISCAL YEAR ENDED JANUARY 31,	NET PROFIT OF SUBSIDIARIES BEFORE DEDUCTIONS STATED ABOVE
1939.....	\$ 634,138.39
1938.....	1,521,520.24
1937.....	1,694,012.50

Net profits of the individual subsidiary companies on the foregoing basis for the past three fiscal years are as follows:

	FISCAL YEAR ENDED JANUARY 31,		
	1939	1938	1937
Lit Brothers, Philadelphia, Pa., and subsidiary companies..	\$201,851.13	\$ 822,706.87	\$1,102,780.08
Maison Blanche Company, New Orleans, La., and its subsidiary companies: Homecraft Finance Corporation and Maison Blanche Realty Company, New Orleans, La., excluding dividends received from wholly owned subsidiary (B. Lowenstein & Bros., Inc.) of \$105,000.00 in year ending January 31, 1937 and \$90,000.00 in year ending January 31, 1938.....	336,517.92	338,661.30	317,996.77
Loveman, Joseph & Loeb, Birmingham, Ala., and its subsidiary, Home Furnishing Finance Corporation.....	152,229.48	199,322.78	151,866.57
B. Lowenstein & Bros., Inc., Memphis, Tenn., and its subsidiary company, Homecraft Finance Corporation of Memphis.....	25,660.62*	107,245.11	115,221.66
Kaufman-Straus Company, Inc., Louisville, Ky., and its subsidiary company, Homecraft Finance Corporation of Louisville (after deducting flood loss in fiscal year ended January 31, 1937).....	31,512.14*	52,887.55	5,894.97
Kenville Realty Company, Louisville, Ky.....	716.62	715.63	721.63
City Stores Mercantile Company, New York City.....	4.00*	19.00*	469.18*
	<u>\$634,138.39</u>	<u>\$1,521,520.24</u>	<u>\$1,694,012.50</u>

(* Indicates loss.)

From the net profit of \$634,138.39 for the fiscal year ended January 31, 1939, as shown above, the proportion of net profits applicable to preferred and common stocks of subsidiary companies not owned by City Stores Company amounting to \$71,653.04, interest on funded debt less sundry items of parent company amounting to \$339,153.96 and federal and state taxes on income of \$159,484.84 are deducted and this leaves a net profit of \$63,846.55 applicable to City Stores Company, which compared with the two preceding years as follows:

FISCAL YEAR ENDED JANUARY 31,	NET PROFIT APPLICABLE TO CITY STORES COMPANY
1939.....	\$ 63,846.55
1938.....	578,268.19
1937.....	616,776.15

Prevailing conditions throughout the first three quarters of the past fiscal year produced results considerably below those for the corresponding quarters of the preceding year. However, in the fourth quarter ending January 31, 1939 consolidated net profits, after all charges, were 68% greater than for the fourth quarter of the preceding year, being \$395,751.10 as compared with \$235,826.11 for the three months ended January 31, 1938. There is submitted below the results of operations of the Company and subsidiaries based upon published reports for quarterly periods during the past two fiscal years.

	PROFIT OR LOSS FOR THE FISCAL YEAR ENDED	
	JANUARY 31, 1939	JANUARY 31, 1938
First quarter.....	\$ 71,175.62*	\$ 96,434.43
Second quarter.....	321,604.25*	27,476.61*
Third quarter.....	60,875.32	273,484.26
Fourth quarter.....	395,751.10	235,826.11
TOTAL FOR YEAR.....	<u>\$ 63,846.55</u>	<u>\$578,268.19</u>

(*Indicates loss.)

While reduction in combined net profits may be attributable largely to decline in dollar sales volume and lower prices which prevailed throughout the greater portion of the past fiscal year,

it should be noted that our companies had to absorb an increase in payroll costs and uncontrollable expenses, including a heavier burden of taxes other than those on income, as shown in the following table in comparative form:

	FOR THE FISCAL YEAR ENDING	
	JANUARY 31, 1939	JANUARY 31, 1938
Real Estate Taxes.....	\$280,790.50	\$280,803.00
Payroll Taxes.....	272,958.67	215,281.28
Other Taxes.....	194,079.71	178,438.77
TOTAL TAXES WHICH HAVE NO RELATION TO EARNINGS.....	\$747,828.88	\$674,523.05
Federal and State Taxes on Income.....	159,484.84	344,249.26
TOTAL TAXES.....	<u>\$907,313.72</u>	<u>\$1,018,772.31</u>

BALANCE SHEETS

The financial condition of the parent company and of the individual companies at January 31, 1939 is shown by the accompanying consolidated balance sheet of City Stores Company and subsidiaries and by the separate balance sheets of each of the companies. Full provision has been made as in former years for depreciation and amortization of buildings, equipment, fixtures, etc., and adequate reserves have been provided for possible losses on notes and accounts receivable. Inventories are again conservatively valued on the basis of cost or market whichever is lower as computed by the retail inventory method and less reserves. As in previous years, our independent auditors with the managements of our various stores supervised the inventory procedure in the manner set forth in their certificate.

Net current assets at January 31, 1939, as shown by the accompanying consolidated balance sheet, were \$330,035.04 greater than a year ago, while earned surplus account has been increased during that period by \$28,246.40, as shown in the accompanying schedule.

Reduction in the principal of interest bearing indebtedness of the Company and subsidiaries during the past fiscal year amounted to \$679,256.27, shown by the following table:

OBLIGATION	REDUCTION DURING YEAR
Notes Payable.....	\$278,256.27
Mortgages on Store Properties.....	208,000.00
Funded Debt of Parent Company.....	193,000.00
	<u>\$679,256.27</u>

This reduction in interest bearing indebtedness will be reflected in lower fixed interest charges of the Company and its subsidiaries in future years.

FUNDED DEBT

During the past fiscal year City Stores Company retired \$193,000.00 principal amount of its funded debt as follows:

	OUTSTANDING JANUARY 31, 1938	RETIRED DURING YEAR	OUTSTANDING JANUARY 31, 1939
Lit Stock Collateral Convertible Notes.....	\$3,333,000.00	\$166,000.00	\$3,167,000.00
General Collateral Convertible Notes.....	2,664,500.00	27,000.00	2,637,500.00
	<u>\$5,997,500.00</u>	<u>\$193,000.00</u>	<u>\$5,804,500.00</u>

The greater portion of the retirements during the past fiscal year was made from funds set aside prior to January 31, 1938.

Cash dividends from collateral held by Trustees under indentures must first be used by Trustees for payment of interest on funded debt and then used to comply with sinking fund provisions of indentures covering funded debt, which specify that annual payments shall be made commencing with the year ended October 1, 1935 of \$140,000.00 per year on 6% Lit Stock Collateral Convertible Notes and \$120,000.00 per year on 6% General Collateral Convertible Notes. Income of \$7,996.60 received from \$199,915.00 note of Maison Blanche Company due January 28, 1943, issued by that Company in payment of a dividend and deposited with trustee under indenture securing General Collateral Convertible Notes, is to be applied in reduction of funded debt. Under the terms of the indentures provisions for sinking funds are cumulative, but failure to provide the specified amounts does not constitute a default. As at January 31, 1939 unpaid sinking fund requirements aggregated \$669,000.00.

CAPITAL STOCK

At January 31, 1939 there were outstanding 1,210,042 $\frac{4}{12}$ shares of common stock, of which 501 shares are held in the Company's treasury. These shares constitute the only outstanding capital stock of the Company.

Pursuant to provisions in connection with issuance in 1935 of the Company's common stock of \$5 par value per share, the right to exchange scrip certificates for such common stock of \$5 par value per share expired on March 31, 1938. Accordingly, 1,975 shares, the required number of shares of common stock previously reserved for that purpose representing (a) scrip certificates outstanding at the close of business on March 31, 1938, and (b) scrip certificates which stockholders would have been entitled to receive if their old securities had been exchanged prior to the close of business on March 31, 1938, have been sold on the New York Stock Exchange subsequent to that date. The proceeds amounting to \$5,144.22 (equivalent to \$2.60 per share of common stock of \$5 par value) have been deposited with Central Hanover Bank & Trust Company, 70 Broadway, New York, N. Y.

Holders of scrip certificates are entitled to receive their pro rata share of these proceeds without interest upon surrender of their scrip certificates to Central Hanover Bank & Trust Company; further, as previously advised, holders of old securities of the Company may exchange such old securities for listed common stock of \$5 par value per share at Central Hanover Bank & Trust Company, and in respect of any fractions which result from such exchange, they will be entitled to receive cash on the basis of \$2.60 per full share of new common stock.

GENERAL

While no major improvements were made to store properties during the past fiscal year, they were well maintained so as to insure continuance of prompt and efficient service to our customers.

The past year has been an extremely difficult one. It is hoped that the possibility of continuation in the improvement shown during the last quarter of that year may not be affected by unsettled conditions at home and abroad which would adversely influence purchasing power.

The organization of the Company has been strengthened in many material respects during the past year. With the general improvement in the combined financial condition of the Company and subsidiaries, as well as in inventory and store equipment, we look forward to the future with confidence and determination.

The Board of Directors and Management desire to express their appreciation of the many accomplishments of the officers and employees of the Company and its subsidiaries during the past year.

For the Directors.

ALBERT M. GREENFIELD,
Chairman of the Board.

SAUL COHN,
President.

ERNST & ERNST
NEW YORK
19 RECTOR STREET

April 13, 1939

CITY STORES COMPANY
New York City

We have made an examination of the consolidated balance sheet of CITY STORES COMPANY and its subsidiary companies and of the balance sheets of the individual companies as at January 31, 1939; we also made an examination of the statements of profit and loss and surplus of CITY STORES COMPANY and of the consolidated statements of profit and loss and surplus of that company and its subsidiaries for the fiscal year ended January 31, 1939. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

Receivables were reviewed with store managements and adequate reserves appear to have been provided for estimated shrinkage in collection. Inventories of merchandise were certified to us by store managements as to condition, salability and valuation and have been valued not in excess of the lower of cost or market by the retail inventory method. We supervised the inventory procedure, made tests of physical count of a portion of the quantities and reviewed application of the retail inventory method and related computations.

In our opinion, based upon our examination, the accompanying consolidated balance sheet of CITY STORES COMPANY and its subsidiaries and the balance sheets of the individual companies, with the notes appended thereto, fairly present, respectively, the financial condition of the consolidated and of the individual companies at January 31, 1939. On the same basis, it is our opinion that the accompanying statements of profit and loss and surplus of CITY STORES COMPANY and the statements of consolidated profit and loss and consolidated surplus fairly reflect, respectively, the results of operations and changes in surplus of the parent company and of the parent company and subsidiaries combined for the fiscal year ended at that date. Further, it is our opinion that the statements have been prepared in accordance with accepted principles of accounting and on a basis consistent with the preceding year.

ERNST & ERNST

CITY STORES COMPANY, NEW

BALANCE

JANUARY

ASSETS

CURRENT ASSETS:

Cash.....	\$	1,670.19
-----------	----	----------

DEPOSITS UNDER INDENTURES SECURING FUNDED DEBT:

Cash for interest, sinking fund requirements, and retirement of funded debt—Note B.....	\$	12,414.36	
Dividend note of subsidiary company due January 28, 1943 (pledged as collateral to funded debt).....		199,915.00	212,329.36

INVESTMENTS AND OTHER ASSETS:

Capital stocks of Scruggs-Vandervoort-Barney, Inc.—at cost, less reserve of \$6,884.75—(pledged as collateral to funded debt)—(quoted market value \$13,332.00).....	\$	7,499.00	
Sundry.....		154.12	7,653.12

INVESTMENTS IN SUBSIDIARY COMPANIES:

City Stores Company proportion of net tangible assets of subsidiary companies based on their balance sheets at January 31, 1935, plus \$105,427.10 representing dividend paid to City Stores Company by one subsidiary company in capital stock of another subsidiary out of earnings subsequent to January 31, 1935 and plus \$33,038.35 representing cancellation of subsidiary company's indebtedness to City Stores Company at January 31, 1937—Note A:

Unpledged.....	\$	62,504.46	
Pledged.....		13,592,293.11	13,654,797.57

DEFERRED CHARGES:

Prepaid tax and insurance:.....		803.65
		<u>\$13,877,253.89</u>

The notes on following page are an

YORK CITY (Parent Company)

SHEET

1, 1939

LIABILITIES

CURRENT LIABILITIES:

Note payable—unsecured.....	\$	91,735.00		
Accounts payable:				
Subsidiary companies.....	\$	1,434.29		
Other.....		3,263.37	4,697.66	
Accrued accounts:				
Interest on funded debt.....	\$	116,090.00		
Taxes.....		3,845.80	119,935.80	\$ 216,368.46

FUNDED DEBT—Note B:

Ten Year 6% Lit Stock Collateral Convertible Notes—due October 1, 1944:				
Authorized and issued.....	\$	3,500,000.00		
Less retired.....		333,000.00	\$ 3,167,000.00	
Ten Year 6% General Collateral Convertible Notes—due October 1, 1944:				
Authorized and issued.....	\$	3,000,000.00		
Less retired.....		362,500.00	2,637,500.00	5,804,500.00

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$5.00 per share:				
Class A—6% cumulative—authorized and unissued 700,000 shares (633,400 shares reserved for conversion of Ten Year 6% Lit Stock Collateral Convertible Notes)				
Common:	Shares	Shares		
Authorized.....		1,900,000		
Less: Reserved for conversion of Ten Year 6% General Collateral Convertible Notes.....	527,500			
In treasury.....	501			
Unissued and available for general corporate purpose	162,457-8/12	690,458-8/12		
Outstanding—Note C.....		1,209,541-4/12	\$ 6,047,706.66	
Surplus:				
Capital surplus.....		\$ 1,053,623.05		
Earned surplus (since February 1, 1935)— Notes D and E.....		755,055.72	1,808,678.77	7,856,385.43
				<u>\$13,877,253.89</u>

Contingent Liability:

As guarantor of notes payable given to bank by a subsidiary company (Kaufman-Straus Company, Inc.)—\$70,000.00.

integral part of this balance sheet.

NOTES TO BALANCE SHEET OF PARENT COMPANY

NOTE A—City Stores Company's portion of net tangible assets of subsidiary companies based on their balance sheets at January 31, 1939 amounted to \$14,775,131.40.

NOTE B—Represents \$4,382.42 to apply as at January 31, 1939 for interest and sinking fund requirements on funded debt, and \$8,031.94 to apply in reduction of funded debt, such sum arising (a) \$35.34 from capital transaction and (b) \$7,996.60 as interest on \$199,915.00 note of Maison Blanche Company which note was deposited with trustee under indenture securing General Collateral Convertible Notes. As of January 31, 1939 unpaid sinking fund requirements totalled \$669,000.00.

NOTE C—Outstanding shares include shares required to complete exchange of stock issued under prior capitalization.

NOTE D—Including \$2,505.00 reserved for common stock held in treasury.

NOTE E—In accordance with the terms of both indentures securing funded debt of the Company, the Company, so long as any of the 6% Collateral Convertible Notes issued under either indenture are outstanding, will not declare, pay or set apart for payment cash dividend upon its common stock except out of surplus earned subsequent to October 1, 1934. (See note to parent company profit and loss statement).

NOTE F—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income. No provision has been made on the books of the Company or in the annexed balance sheet for federal normal income taxes or surtax on undistributed profits for the fiscal years ended January 31, 1937 and January 31, 1938, by reason of the Company's claims for deductions in connection with liquidation of a subsidiary in the fiscal year 1937 and its claim for exemption for the fiscal year ended January 31, 1938 based upon credits for contracts which require the payment of earnings to trustees for the purpose of discharging funded debt.

CITY STORES COMPANY, NEW YORK CITY (Parent Company)

PROFIT AND LOSS STATEMENT

YEAR ENDED JANUARY 31, 1939

INCOME:

Dividends received—cash:		
From subsidiary companies.....	\$200,206.00	
Other.....	2,868.37	\$203,074.37
Payments by subsidiary companies for management, advisory and sales services, less amounts transferred to City Stores Mercantile Company (a wholly owned subsidiary) for buying service.....	122,485.00	
Interest on dividend note given by subsidiary company.....	7,996.60	
Sundry.....	456.00	\$334,011.97

DEDUCTIONS:

General expenses.....	\$122,281.90	
Excess of expenses over income of City Stores Mercantile Company (a wholly owned subsidiary) transferred to parent company	761.87	123,043.77
		\$210,968.20
Interest on funded debt:		
On Ten Year 6% Lit Stock Collateral Convertible Notes....	\$191,287.16	
On Ten Year 6% General Collateral Convertible Notes....	158,629.00	349,916.16
NET LOSS.....		\$138,947.96

NOTE—Cash dividends from collateral held by Trustees under indentures must first be used by Trustees for payment of interest on funded debt and then used to comply with sinking fund provisions of indentures covering funded debt, which specify that annual payments shall be made commencing with the year ended October 1, 1935 of \$140,000.00 per year on 6% Lit Stock Collateral Convertible Notes and \$120,000.00 per year on 6% General Collateral Convertible Notes. Income of \$7,996.60 received from \$199,915.00 note of Maison Blanche Company due January 28, 1943, issued by that Company in payment of a dividend and deposited with trustee under indenture securing General Collateral Convertible Notes, is to be applied in reduction of funded debt. Under the terms of the indentures provisions for sinking funds are cumulative, but failure to provide the specified amounts does not constitute a default. As at January 31, 1939 unpaid sinking fund requirements aggregated \$669,000.00, and Trustees held therefor cash in the amount of \$4,382.42 at that date.

EARNED SURPLUS

YEAR ENDED JANUARY 31, 1939

Balance at February 1, 1938.....	\$894,003.68
Deduct net loss for year.....	138,947.96
BALANCE AT JANUARY 31, 1939.....	<u>\$755,055.72</u>

CITY STORES COMPANY, NEW YORK

CONSOLIDATED

JANUARY

ASSETS

CURRENT ASSETS:

Cash.....	\$ 1,042,968.54	
Marketable securities at market value—not in excess of cost....	40,412.50	
Notes and accounts receivable from customers (including \$3,767,255.47 of installment notes and accounts) less reserve of \$391,590.39.....	7,641,129.19	
Notes and accounts receivable from vendors and tenants, less reserve of \$10,000.00.....	127,814.01	
Merchandise inventories—at retail less accumulated depart- mental mark-up and reserves of \$117,000.00, as shown in sub- sidiary company balance sheets.....	5,067,403.70	\$13,919,727.94

CASH WITH DEPOSITARIES UNDER INDENTURES SECURING FUNDED
DEBT—Note A:

For interest, sinking fund requirements and retirement of funded debt.....	12,414.36
---	-----------

INVESTMENTS AND OTHER ASSETS:

Sundry investments, less reserves of \$16,342.88.....	\$ 243,448.68	
Employee and sundry notes and accounts receivable, deposits, etc.	72,719.97	
Claims against closed banks, less reserves of \$51,799.54.....	47,101.34	
Cash surrender value of life insurance.....	34,065.75	
Stock of City Stores Company (516 shares of common stock owned by subsidiaries).....	2,156.35	399,492.09

LAND, BUILDINGS, EQUIPMENT AND IMPROVEMENTS—Note B:

Land.....	\$10,212,741.04	
Buildings, fixtures and equipment.....	\$14,738,462.83	
Less reserves for depreciation.....	5,962,229.35	8,776,233.48
Improvements to leased properties.....	\$ 466,718.82	
Less reserves for amortization.....	170,622.68	296,096.14
		19,285,070.66

GOOD WILL (Carried on books of subsidiaries in total amount of \$2,792,158.27).....	1.00
--	------

DEFERRED CHARGES:

Prepaid insurance, unamortized mortgage expense, inventories of supplies, prepaid taxes, expenses, etc.....	382,765.73
--	------------

NOTE A—Reference is made to Note B to the balance sheet and Note to the profit and loss statement of City Stores Company (Parent Company) in which the amount of funds available for interest, sinking fund requirements, and retirement of funded debt are stated and provisions of indentures securing funded debt of the Company are given with respect to the effect upon surplus and income available for dividends.

A note of \$199,915.00 issued by a subsidiary company to the Parent Company as a dividend, and eliminated in this consolidated statement, has been deposited with trustee under indenture securing General Collateral Convertible Notes.

NOTE B—Stated at cost to subsidiary companies paid for either in cash or in capital stock at time of organization, except Kaufman-Straus Company, Inc., where furniture, fixtures, improvements to leased building, etc., are stated at sound value as determined in January, 1936, by The American Appraisal Company, plus subsequent additions at cost, less accruing depreciation, and less subsequent write-down in the case of Kenville Realty Company.

NOTE C—Outstanding shares include shares required to complete exchange of stock issued under prior capitalization.

NOTE D—Including \$2,505.00 reserved for common stock held in treasury.

NOTE E—Reference is made to the pertinent notes appearing on the accompanying balance sheets of City Stores Company and subsidiary companies with respect to the position of the Companies as to damage suits and other contingent liabilities.

NOTE F—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income.

\$33,999,471.78

CITY, AND SUBSIDIARY COMPANIES

BALANCE SHEET

31, 1939

LIABILITIES

CURRENT LIABILITIES:

Notes payable:			
Banks—for borrowed money.....	\$ 445,000.00		
Other.....	99,020.29	\$ 544,020.29	
Accounts payable:			
Trade creditors, etc.....	\$2,390,129.83		
Federal and state pay roll taxes.....	38,465.57	2,428,595.40	
Accrued accounts:			
Interest on mortgages, salaries, wages, taxes, etc.....	\$ 428,532.33		
Provision for federal and state taxes on income—estimated.....	214,085.50		
Mortgage installments due in 1939.....	208,000.00		
Interest on funded debt.....	116,090.00	966,707.83	\$ 3,939,323.52

DEFERRED OBLIGATIONS:

Paving assessments and dividend notes due subsequent to January 31, 1940.....			2,877.12
---	--	--	----------

MORTGAGES:

Payable by subsidiary companies.....	\$8,983,000.00		
Less installments included in current liabilities as above.....	208,000.00	8,775,000.00	

FUNDED DEBT—PARENT COMPANY—Note A:

Ten Year 6% Lit Stock Collateral Convertible Notes—due October 1, 1944:			
Authorized and issued.....	\$3,500,000.00		
Less retired.....	333,000.00	\$3,167,000.00	
Ten Year 6% General Collateral Convertible Notes—due October 1, 1944:			
Authorized and issued.....	\$3,000,000.00		
Less retired.....	362,500.00	2,637,500.00	5,804,500.00

Reserves:

For redemption of trading stamps, contingencies, etc.....	\$ 559,032.44		
For income tax contingency.....	71,510.13	630,542.57	

DEFERRED INCOME:

Unearned carrying charges on installment sales.....			116,369.97
---	--	--	------------

MINORITY INTEREST:

Preferred stock of subsidiary companies outstanding—at par value.....	\$4,090,200.00		
Accrued undeclared dividends to January 31, 1939.....	1,179,418.65	\$5,269,618.65	
Common stock—subsidiary companies.....	\$ 319,562.00		
Surplus applicable thereto.....	167,458.69	487,020.69	5,756,639.34

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$5.00 per share:

Class A—6% cumulative—authorized and unissued 700,000 shares (633,400 shares reserved for conversion of Ten Year 6% Lit Stock Collateral Convertible Notes)

Common:	Shares	Shares	
Authorized.....		1,900,000	
Less: Reserved for conversion of Ten Year 6% General Collateral Convertible Notes..	527,500		
In treasury.....	501		
Unissued and available for general corporate purposes.	162,457-8/12	690,458-8/12	
Outstanding—Note C.....		1,209,541-4/12	\$6,047,706.66

Surplus:

Capital surplus.....	\$1,133,956.92		
Earned surplus (since February 1, 1935)—Note D	1,792,555.68	2,926,512.60	8,974,219.26
			<u>\$33,999,471.78</u>

**CITY STORES COMPANY, NEW YORK CITY
AND SUBSIDIARY COMPANIES**

COMPARATIVE CONSOLIDATED PROFIT AND LOSS STATEMENT

	Year Ended January 31, 1939	Year Ended January 31, 1938	Year Ended January 31, 1937
NET SALES, including sales of leased departments....	\$36,850,877.65	\$40,184,459.27	\$38,436,183.59
COST OF GOODS SOLD.....	24,114,577.65	26,368,005.41	25,022,885.98
GROSS PROFIT.....	\$12,736,300.00	\$13,816,453.86	\$13,413,297.61
SELLING, ADMINISTRATIVE AND GENERAL EXPENSES	11,507,012.88	11,755,420.42	11,080,325.76
	\$ 1,229,287.12	\$ 2,061,033.44	\$ 2,332,971.85
OTHER INCOME:			
Interest and carrying charges.....	\$ 284,182.63	\$ 315,316.69	\$ 275,073.20
Rentals.....	193,746.59	189,807.85	185,178.14
Dividends.....	43,421.87	69,940.28	56,907.80
Discount earned on expense invoices.....	37,901.00	39,037.12	36,461.43
Miscellaneous.....	52,375.94	84,485.24	42,453.37
TOTAL OTHER INCOME.....	\$ 611,628.03	\$ 698,587.18	\$ 596,073.94
	\$ 1,840,915.15	\$ 2,759,620.62	\$ 2,929,045.79
OTHER CHARGES:			
Interest on mortgages and notes payable.....	\$ 450,365.58	\$ 469,080.33	\$ 467,327.37
Provision for depreciation and amortization....	505,204.29	492,755.54	468,643.78
Provision for sundry charges, doubtful accounts, etc. (net).....	240,444.69	237,097.49	229,688.60
Extraordinary expenses and losses due to flood, etc.....	—0—	—0—	74,884.91
Federal and state taxes on income (including surtax on undistributed profits of \$59,707.82 for the fiscal year ended January 31, 1938 and \$38,109.36 for the fiscal year ended January 31, 1937).....	159,484.84	344,249.26	333,635.56
TOTAL OTHER CHARGES.....	\$ 1,355,499.40	\$ 1,543,182.62	\$ 1,574,180.22
	\$ 485,415.75	\$ 1,216,438.00	\$ 1,354,865.57
Less amount of net profit of subsidiaries applicable to preferred and common stocks of subsidiary com- panies not owned by City Stores Company.....	71,653.04	272,001.56	348,089.42
PROFIT APPLICABLE TO CITY STORES COMPANY BEFORE DEDUCTING INTEREST ON FUNDED DEBT.....	\$ 413,762.71	\$ 944,436.44	\$ 1,006,776.15
Less interest on Parent Company's funded debt....	349,916.16	366,168.25	390,000.00
NET PROFIT FOR PERIOD.....	\$ 63,846.55	\$ 578,268.19	\$ 616,776.15

NOTE—The above statement of profit and loss is subject to the pertinent notes on the financial statements of the respective Companies for the three fiscal years.

CITY STORES COMPANY, NEW YORK CITY
AND SUBSIDIARY COMPANIES

CONSOLIDATED SURPLUS

YEAR ENDED JANUARY 31, 1939

CAPITAL SURPLUS:

Balance at February 1, 1938..... \$1,113,561.17

Add:

Excess of par value over cost of own preferred shares purchased by subsidiaries during fiscal year ended January 31, 1939.....	\$29,040.50	
Less proportion applicable to minority interest	8,644.75	20,395.75

CAPITAL SURPLUS—BALANCE—JANUARY 31, 1939.....		\$1,133,956.92
---	--	----------------

EARNED SURPLUS:

Balance at February 1, 1938..... \$1,764,309.28

Add:

Consolidated net profit applicable to City Stores Company for year ended January 31, 1939.....	\$63,846.55	
Transferring from minority interest in subsidiary companies accrued undeclared dividends applicable to preferred stocks acquired by such subsidiaries during year.....	10,729.16	74,575.71

\$1,838,884.99

Deduct:

City Stores Company's proportion of provision for unearned dividends on preferred stocks of subsidiary companies for the year ended January 31, 1939 applicable to such preferred stock held by minority interests.....	\$42,934.34	
Sundry items—net.....	1,012.50	
Proportion of above items (other than earnings for year) applicable to minority interests	2,382.47	46,329.31

EARNED SURPLUS—BALANCE—JANUARY 31, 1939.....		1,792,555.68
--	--	--------------

TOTAL SURPLUS—BALANCE—JANUARY 31, 1939.....		\$2,926,512.60
---	--	----------------

LIT BROTHERS, PHILADELPHIA,

CONSOLIDATED

JANUARY

ASSETS

CURRENT ASSETS:

Cash.....	\$ 705,339.40	
Marketable securities at market value—not in excess of cost....	40,412.50	
Accounts receivable—trade (including \$2,766,817.89 of installment accounts) less reserve of \$222,616.60 for doubtful.....	5,064,516.18	
Merchandise inventories—at retail less accumulated departmental mark-up.....	2,365,203.53	\$ 8,175,471.61

INVESTMENTS AND OTHER ASSETS:

Sundry investments.....	\$ 189,543.74	
Sundry accounts receivable and cash in closed banks.....	87,902.82	277,446.56

LAND, BUILDINGS AND EQUIPMENT—Note A:

Land.....	\$8,087,544.51	
Buildings, fixtures, equipment, etc.....	\$9,207,930.71	
Less reserves for depreciation.....	3,823,589.91	5,384,340.80
		13,471,885.31

GOOD WILL—as stated on books.....		1,046,783.23
-----------------------------------	--	--------------

DEFERRED CHARGES:

Prepaid insurance, unamortized mortgage expenses, prepaid taxes and expenses.....		232,621.29
---	--	------------

NOTE A—Stated at cost paid for in capital stock at time of organization, plus subsequent additions at cost and less provision for accruing depreciation.

NOTE B—Accumulated unpaid and undeclared dividends at January 31, 1939 amounted to \$2,448,076.50 of which \$1,533,060.00 is applicable to preferred stock owned by City Stores Company.

NOTE C—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income.

\$23,204,208.00

PA., AND SUBSIDIARY COMPANIES

BALANCE SHEET

31, 1939

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....	\$ 1,248,891.84	
Accrued salaries, wages, commissions, taxes, interest, etc.....	260,757.44	
Provision for federal and state taxes on income—estimated.....	113,673.31	
First mortgage installments due in 1939.....	134,000.00	
	<u>\$ 1,757,322.59</u>	

AFFILIATED COMPANIES:

Accounts payable.....	3,326.55	\$ 1,760,649.14
	<u>3,326.55</u>	

FIRST MORTGAGES ON LAND AND BUILDINGS:

Due serially to 1945.....	\$ 6,457,000.00	
Less installments included in current liabilities as above.....	134,000.00	6,323,000.00
	<u>134,000.00</u>	

RESERVES FOR REDEMPTION OF TRADING STAMPS AND CONTINGENCIES

385,404.96

DEFERRED INCOME:

Unearned carrying charges on installment accounts receivable....		115,936.71
--	--	------------

CAPITAL STOCK AND SURPLUS:

Capital stock:

Preferred stock—6% cumulative—par value			
\$100.00 per share, redeemable at \$105.00			
per share—Note B:			
Authorized and issued 120,000 shares.....	\$12,000,000.00		
Less 23,997 shares in treasury.....	2,399,700.00	\$ 9,600,300.00	
	<u>2,399,700.00</u>		

Common stock—no par value:

Authorized and issued 1,000,000 shares, less			
855 shares in treasury.....		999,145.00	
		<u>999,145.00</u>	
		\$10,599,445.00	

Surplus—Note B:

Capital surplus.....	\$ 110,062.50		
Earned surplus.....	3,909,709.69	4,019,772.19	14,619,217.19
	<u>3,909,709.69</u>	<u>4,019,772.19</u>	<u>14,619,217.19</u>
			<u>\$23,204,208.00</u>

MAISON BLANCHE COMPANY, NEW ORLEANS, LA.
And one of its Subsidiary Companies—Homecraft Finance Corporation

CONSOLIDATED BALANCE SHEET

JANUARY 31, 1939

ASSETS

CURRENT ASSETS:

Cash.....	\$ 78,477.98		
Notes receivable—trade.....	1,485.22		
Accounts receivable—trade (including \$404,527.41 of installment accounts) less reserve of \$68,602.55 for doubtful.....	990,189.68		
Merchandise inventories—at retail less accumulated departmental mark-up and reserve of \$40,000.00.....	1,012,351.91	\$2,082,504.79	

AFFILIATED COMPANIES:

Accounts receivable.....			4,258.01
--------------------------	--	--	----------

INVESTMENTS AND OTHER ASSETS:

Investment in affiliated company—book carrying value (94 shares common stock of City Stores Company).....	\$ 470.01		
Investments in other companies.....	42,000.00		
Sundry accounts receivable and advances and cash in closed banks, less reserves of \$21,482.37.....	7,561.60	50,031.61	

INVESTMENTS IN SUBSIDIARY COMPANIES:

Maison Blanche Realty Company:

Investment in 6,250 shares of common stock (representing 87.72% of outstanding stock)—at cost (Maison Blanche Company's proportion of net tangible assets as shown by this subsidiary company's balance sheet at January 31, 1939 amounts to \$1,036,026.73).....	\$ 789,147.90		
Account receivable.....	1,799.12	\$ 790,947.02	

B. Lowenstein & Bros., Inc.:

Investment in 5,000 shares of preferred and 25,000 shares of common stock (its entire outstanding capital stock) at cost (net tangible assets as shown by this subsidiary company's balance sheet at January 31, 1939 amounts to \$1,350,460.28) (all of the above shares were exchanged in March 1939 for 10,000 shares of newly authorized common stock).....	\$2,074,411.38		
Notes receivable (exchanged in March 1939 for 1,450 shares of newly authorized common stock).....	145,000.00		
Account receivable.....	3,105.59	2,222,516.97	3,013,463.99

EQUIPMENT AND IMPROVEMENTS—AT COST:

Furniture, fixtures and equipment.....	\$ 711,545.81		
Less reserves for depreciation.....	414,777.40	\$ 296,768.41	
Improvements to leased properties.....	\$ 207,702.63		
Less reserve for amortization.....	112,358.22	95,344.41	392,112.82

GOOD WILL —as stated on books.....			376,031.24
---	--	--	------------

DEFERRED CHARGES:

Inventories of supplies, prepaid insurance, taxes and expenses.....			53,504.77
			<u>\$5,971,907.23</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....	\$ 406,465.55		
Accrued salaries, taxes and expenses.....	43,895.00		
Provision for federal and state taxes on income—estimated.....	48,500.00	\$ 498,860.55	

NOTES PAYABLE—DIVIDEND—DUE JANUARY 28, 1943			200,000.00
--	--	--	------------

RESERVES FOR INSURANCE, ETC.			6,200.00
---	--	--	----------

CAPITAL STOCK AND SURPLUS:

Capital stock:			
Common stock—par value \$50.00 per share:			
Authorized 120,000 shares; 80,000 shares issued.....	\$4,000,000.00		
Surplus:			
Capital surplus.....	\$ 250,000.00		
Earned surplus.....	1,016,846.68	1,266,846.68	5,266,846.68
			<u>\$5,971,907.23</u>

CONTINGENT LIABILITY:

As guarantor on notes payable of its subsidiary, Maison Blanche Realty Company—\$40,000.00.

NOTE A—All gross profit and carrying charges on installment sales are taken into income account in year in which sales are made.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income.

MAISON BLANCHE REALTY COMPANY, NEW ORLEANS, LA.

BALANCE SHEET

JANUARY 31, 1939

ASSETS

CURRENT ASSETS:			
Cash.....	\$	35,454.49	
Accounts and notes receivable—tenants, less reserve of \$10,000.00 for doubtful.....		16,287.59	\$ 51,742.08
OTHER ASSETS:			
Sundry accounts receivable and advances and cash in closed bank, less reserve of \$28,196.24.....			418.38
LAND, BUILDINGS AND EQUIPMENT—AT COST:			
Land.....	\$1,170,799.79		
Buildings, fixtures, equipment, etc.....	\$2,297,448.62		
Less reserves for depreciation.....	852,821.65	1,444,626.97	2,615,426.76
DEFERRED CHARGES:			
Prepaid insurance, taxes and expenses.....			10,889.64
			<u>\$2,678,476.86</u>

LIABILITIES

CURRENT LIABILITIES:			
Notes payable to banks—Note A.....	\$	100,000.00	
Accounts payable.....		4,558.95	
Accrued interest, taxes and wages.....		23,246.21	
Provision for federal and state taxes on income—estimated.....		15,000.00	
First mortgage note—4½%—installments due in 1939.....		50,000.00	
	\$	192,805.16	
AFFILIATED COMPANY:			
Account payable—Maison Blanche Company.....		1,799.12	\$ 194,604.28
FIRST MORTGAGE NOTES—4½%:			
Maturing \$25,000.00 semi-annually on May 1st and November 1st to November 1, 1943; balance due May 1, 1944.....	\$1,350,000.00		
Less installments included in current liabilities as above.....	50,000.00		1,300,000.00
DEFERRED PAVING ASSESSMENTS:			
Payable in installments subsequent to January 31, 1940.....			2,802.12
CAPITAL STOCK AND SURPLUS:			
Capital stock:			
Common—par value \$100.00 per share:			
Authorized.....	\$	750,000.00	
Less 375 shares in treasury.....		37,500.00	\$ 712,500.00
Surplus—earned—Note B.....		468,570.46	1,181,070.46
			<u>\$2,678,476.86</u>

NOTE A—Note payable in the amount of \$40,000.00 is guaranteed by Maison Blanche Company (Parent Company).

NOTE B—Including \$37,500.00 reserved for common stock held in treasury.

NOTE C—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income.

LOVEMAN, JOSEPH & LOEB,
And its Subsidiary Company, Home

CONSOLIDATED

JANUARY

ASSETS

CURRENT ASSETS:

Cash.....	\$ 85,690.58	
Accounts and notes receivable—trade (including \$235,253.59 of installment accounts and notes) less reserve of \$48,062.15 for doubtful.....	672,979.04	
Merchandise inventories—at retail less accumulated departmental mark-up and reserve of \$45,000.00.....	627,240.47	\$1,385,910.09

INVESTMENTS AND OTHER ASSETS:

Cash surrender value of life insurance.....	\$ 34,065.75	
Investments in other companies, less reserve of \$5,098.13.....	2,640.19	
Sundry accounts and notes receivable, etc.....	6,927.69	
Investment in affiliated company—book carrying value (422 shares common stock of City Stores Company).....	1,530.97	45,164.60

LAND, BUILDING AND EQUIPMENT—Note A:

Land.....	\$ 903,521.74	
Buildings, equipment, furniture, fixtures, etc.	\$1,300,370.57	
Less reserves for depreciation.....	210,739.45	1,089,631.12
		1,993,152.86

GOOD WILL—as stated on books.....	800,000.00
-----------------------------------	------------

DEFERRED CHARGES:

Inventories of supplies, prepaid insurance, taxes, interest, etc.	33,611.83
	<u>\$4,257,839.38</u>

NOTE A—Land stated at cost paid for in capital stock at time of organization; building, fixtures and equipment stated at cost less subsequent accruing depreciation.

NOTE B—The Company claims exemption from federal surtax on undistributed profits for the years ended January 31, 1937, and January 31, 1938. Reserve for federal income tax contingency has been provided in the amount of \$71,510.13 to cover amount involved.

NOTE C—With the exception of the above item of deferred income in respect to carrying charges through its subsidiary, Home Furnishing Finance Corporation, all gross profit and carrying charges on installment sales are taken into income account in year in which sales are made.

BIRMINGHAM, ALABAMA

Furnishing Finance Corporation

BALANCE SHEET

31, 1939

LIABILITIES

CURRENT LIABILITIES:

Notes payable—banks.....	\$ 125,000.00
Accounts payable.....	291,379.16
Accrued salaries, taxes and interest.....	47,819.51
Provision for federal and state taxes on income—estimated— Note B.....	33,829.44
First mortgage installments due 1939.....	24,000.00

\$ 522,028.11

AFFILIATED COMPANIES:

Accounts payable.....	945.06	\$ 522,973.17
-----------------------	--------	---------------

FIRST MORTGAGE—5%:

On land, buildings and fixtures—due February 7, 1943, with semi- annual installment payments of \$12,000.00 each beginning February 7, 1939.....	\$1,176,000.00	
Less installments included in current liabilities as above.....	24,000.00	1,152,000.00

RESERVES:

For federal income tax contingency—Note B.....	\$ 71,510.13	
For contingencies, pensions, etc.....	161,023.45	232,533.58

DEFERRED INCOME:

Unearned carrying charges—Home Furnishing Finance Corpo- ration—Note C.....		253.11
--	--	--------

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$100.00 per share:

Preferred—7% cumulative—redeemable at \$120.00 per share—

Note D:

Authorized and issued....	\$1,000,000.00	
Less 7,403 shares in treasury	740,300.00	\$ 259,700.00

Common:

Authorized.....	\$2,000,000.00	
Less unissued.....	378,000.00	1,622,000.00

\$1,881,700.00

Surplus—Notes D and E:

Capital surplus.....	\$ 2,034.50	
Earned surplus.....	466,345.02	468,379.52

\$4,257,839.38

NOTE D—Accumulated unpaid and undeclared dividends at January 31, 1939 on the 7% cumulative preferred stock amounted to \$128,767.92.

NOTE E—Excluding charge of \$740,300.00 for preferred stock held in treasury.

NOTE F—The Company was defendant in several damage suits covered by insurance. Counsel for the Company advised that, in their opinion, no contingent liability existed on these claims at January 31, 1939.

B. LOWENSTEIN & BROS., INC., MEMPHIS, TENN.
And its Subsidiary Company, Homecraft Finance Corporation of Memphis

CONSOLIDATED BALANCE SHEET

JANUARY 31, 1939

ASSETS

CURRENT ASSETS:			
Cash.....	\$	81,355.26	
Notes receivable—trade.....		1,201.03	
Accounts receivable—trade (including \$252,572.14 of installment accounts) less reserve of \$37,309.09 for doubtful.....		707,392.44	
Merchandise inventories—at retail less accumulated departmental mark-up and reserve of \$22,000.00.....		716,053.90	\$1,506,002.63
AFFILIATED COMPANY:			
Account receivable.....			52.62
INVESTMENTS AND OTHER ASSETS:			
Sundry investments—less reserve of \$2,500.00.....	\$	1,164.00	
Employee and sundry note and accounts receivable.....		3,444.43	4,608.43
FIXTURES, EQUIPMENT AND IMPROVEMENTS—AT COST:			
Store and office fixtures and equipment.....	\$999,139.13		
Less reserves for depreciation.....	600,552.06	\$ 398,587.07	
Improvements to leased property.....	\$118,308.33		
Less reserve for amortization.....	41,103.50	77,204.83	475,791.90
GOOD WILL—as stated on books.....			150,000.00
DEFERRED CHARGES:			
Inventory of supplies, prepaid insurance, taxes and expenses.....			29,044.34
			<u>\$2,165,499.92</u>

LIABILITIES

CURRENT LIABILITIES:			
Notes payable to banks.....	\$	150,000.00	
Notes payable for equipment purchased.....		6,944.72	
Accounts payable.....		316,837.83	
Accrued taxes, interest and expenses.....		33,237.09	
	\$	507,019.64	
AFFILIATED COMPANIES:			
Accounts payable.....		6,435.82	\$ 513,455.46
NOTES PAYABLE:			
To Maison Blanche Company (Parent Company) for dividends—(exchanged in March 1939 for 1,450 shares of the Company's newly authorized common stock).....			145,000.00
RESERVES:			
For plate glass and parcel post losses.....			6,404.03
DEFERRED INCOME—Note A:			
Unearned carrying charges—Homecraft Finance Corporation of Memphis.....			180.15
CAPITAL STOCK AND SURPLUS:			
Capital stock:			
Common—no par value—authorized 15,000 shares—declared value \$100.00 per share—unissued 15,000 shares. Issuable in exchange for old capital stock:			
For 5,000 shares old preferred stock—			
5,000 shares new.....	\$500,000.00		
For 25,000 shares old common stock—			
5,000 shares new.....	500,000.00	\$ 1,000,000.00	
Surplus:			
Capital surplus—Note B.....	\$414,719.33		
Earned surplus (since October 1, 1938).....	85,740.95	500,460.28	1,500,460.28
			<u>\$2,165,499.92</u>

NOTE A—With the exception of the above item of deferred income in respect to carrying charges through its subsidiary, Homecraft Finance Corporation of Memphis, all gross profit and carrying charges on installment sales are taken into income account in year in which sales are made.

NOTE B—By authority of the Board of Directors and Stockholders the no par value common stock account was reduced as at September 30, 1938 from \$1,500,000.00 to \$500,000.00, and the amount of \$1,000,000.00 was transferred to surplus account to absorb a deficit of \$585,280.67, existing as at that date.

NOTE C—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income.

KAUFMAN-STRAUS COMPANY, INC., LOUISVILLE, KY.
And its Subsidiary Company, Homecraft Finance Corporation of Louisville

CONSOLIDATED BALANCE SHEET

JANUARY 31, 1939

ASSETS

CURRENT ASSETS:

Cash.....	\$	44,839.02	
Notes receivable—trade.....		139.70	
Accounts receivable—trade (including \$105,258.49 of installment accounts) less reserve of \$15,000.00 for doubtful.....		314,752.32	
Merchandise inventories—at retail less accumulated departmental mark-up and reserve of \$10,000.00.....		343,270.69	\$ 703,001.73

INVESTMENTS AND OTHER ASSETS:

Investments in other companies.....	\$	603.00	
Employee and sundry accounts receivable.....		444.87	1,047.87

LAND, EQUIPMENT AND IMPROVEMENTS:

Real estate and building—at cost.....	\$	1,424.05	
Less reserve for depreciation.....		219.60	\$ 1,204.45
Furniture, fixtures and equipment, etc.—Note B.....	\$	199,226.66	
Less reserves for depreciation.....		41,035.00	158,191.66
Improvements to leased building—Note B.....	\$	140,707.86	
Less reserve for amortization.....		17,160.96	123,546.90
			282,943.01

GOOD WILL—as stated on books.....			419,343.80
-----------------------------------	--	--	------------

DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes, and expenses....			21,409.81
			<u>\$ 1,427,746.22</u>

LIABILITIES

CURRENT LIABILITIES:

Notes payable—bank—Note C.....	\$	70,000.00	
Notes payable—equipment purchased.....		340.57	
Accounts payable.....		149,229.06	
Accrued salaries, taxes and expenses.....		14,821.84	
Federal income tax—prior year.....		2,931.06	
	\$	237,322.53	

AFFILIATED COMPANIES:

Accounts payable.....		1,653.67	\$ 238,976.20
-----------------------	--	----------	---------------

CAPITAL STOCK AND DEFICIT:

Preferred stock—7% cumulative—par value \$100.00 per share, redeemable at \$110.00 per share—Note D:			
Authorized.....	\$	750,000.00	
Less: Unissued.....	\$247,400.00		
Retired.....	3,700.00	251,100.00	\$ 498,900.00
Common stock—par value \$100.00 per share:			
Authorized and issued.....	\$	1,000,000.00	
Deficit—Notes D and E.....		310,129.98	689,870.02
			1,188,770.02
			<u>\$ 1,427,746.22</u>

NOTE A—All gross profit and carrying charges on installment sales are taken into income account in year in which sales are made.

NOTE B—Stated at sound values as determined in January, 1936 by The American Appraisal Company, plus subsequent additions at cost, less accruing depreciation and amortization.

NOTE C—Notes payable to bank are guaranteed by City Stores Company (parent company).

NOTE D—Accumulated unpaid and undeclared dividends at January 31, 1939 on the 7% cumulative preferred stock amounted to \$279,384.00 of which \$143,752.00 is applicable to preferred shares owned by City Stores Company.

NOTE E—Excluding charge of \$3,700.00 for preferred stock retired.

NOTE F—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income.

CITY STORES MERCANTILE COMPANY, NEW YORK CITY

BALANCE SHEET

JANUARY 31, 1939

ASSETS

CURRENT ASSETS:		
Cash.....	\$ 10,141.62	
Merchandise inventory—at cost.....	3,283.20	\$ 13,424.82
AFFILIATED COMPANIES:		
Investment in common stock of Maison Blanche Company— 4 shares—at cost.....	\$ 640.00	
Dividend note of affiliated company due January 28, 1943.....	10.00	
Accounts receivable.....	11,014.12	11,664.12
OTHER ASSETS:		
Employees and sundry accounts receivable.....	\$ 227.45	
Account receivable from Mark Store Company.....	12,894.07	13,121.52
EQUIPMENT—Note A:		
Furniture and fixtures.....	\$ 22,252.28	
Less reserve for depreciation.....	18,494.28	3,758.00
DEFERRED CHARGES:		
Prepaid tax and sundry expenses.....		135.15
		<u>\$ 42,103.61</u>

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable.....	\$ 7,969.64	
Accrued salaries and taxes.....	563.90	
	<u>\$ 8,533.54</u>	
AFFILIATED COMPANY:		
Account payable.....	4,168.08	\$ 12,701.62
CAPITAL STOCK AND SURPLUS:		
Capital stock—par value \$100.00 per share:		
Authorized 1,250 shares; issued and outstanding 250 shares...	\$ 25,000.00	
Paid-in surplus.....	4,401.99	29,401.99
		<u>\$ 42,103.61</u>

NOTE A—Stated at cost paid for in capital stock at time of organization, plus subsequent additions at cost and less provision for accruing depreciation.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal tax on income.

PAID-IN SURPLUS

YEAR ENDED JANUARY 31, 1939

BALANCE AT JANUARY 31, 1938 AND JANUARY 31, 1939.....	<u>\$ 4,401.99</u>
No change during year.	

INCOME AND EXPENSES

YEAR ENDED JANUARY 31, 1939

INCOME:		
Payments by subsidiary companies of City Stores Company for buying services.....	\$ 98,282.40	
Other.....	6,000.00	\$104,282.40
EXPENSES (net).....	<u>\$105,044.27</u>	
Less amount transferred to City Stores Company (parent company)...	761.87	104,282.40
BALANCE.....		<u>\$ — 0 —</u>

KENVILLE REALTY COMPANY, LOUISVILLE, KY.

BALANCE SHEET

JANUARY 31, 1939

ASSETS

ACCOUNT RECEIVABLE—AFFILIATED COMPANY:

City Stores Company.....	\$ 495.16
LAND—Note A.....	50,000.00
	\$50,495.16

LIABILITIES

CURRENT LIABILITIES:

Real estate taxes.....	\$ 344.54
Federal capital stock tax.....	1.00
Federal tax on income—provision for year ended January 31, 1939 —estimated.....	151.69
	\$ 497.23

ACCOUNT PAYABLE—AFFILIATED COMPANY:

City Stores Mercantile Company.....	216.78	\$ 714.01
-------------------------------------	--------	-----------

CAPITAL STOCK AND DEFICIT:

Capital stock:

Common—par value \$100.00 per share:

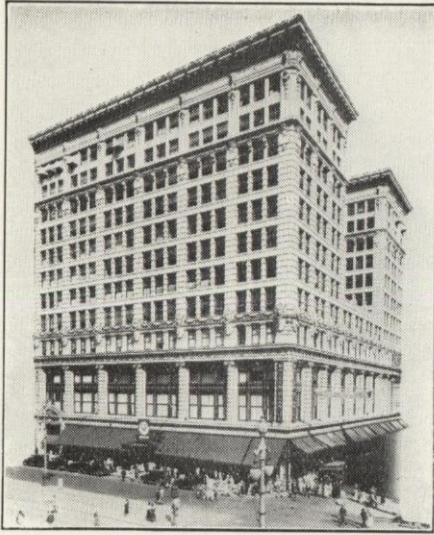
Authorized and issued 500 shares.....	\$50,000.00
---------------------------------------	-------------

Deficit:

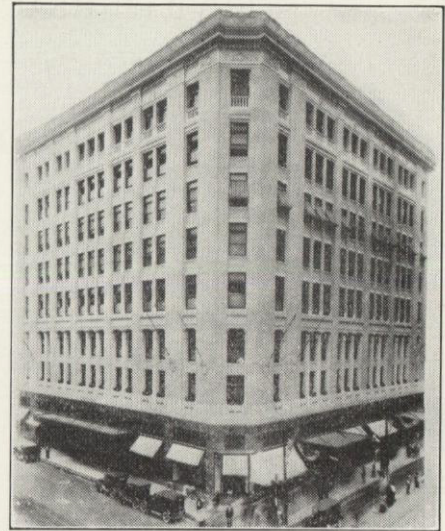
Balance January 31, 1938.....	\$ 783.78		
Less net income for fiscal year ended January 31, 1939.....	564.93	218.85	49,781.15
			\$50,495.16

NOTE A—Stated at cost of \$70,000.00 paid for in cash, less subsequent adjustment of \$20,000.00 against capital surplus as at January 31, 1934.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal tax on income.



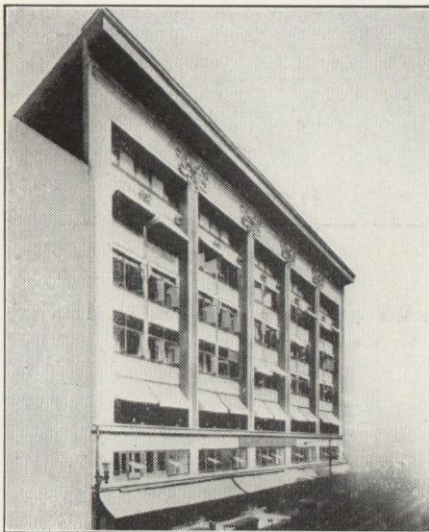
MAISON BLANCHE COMPANY
NEW ORLEANS, LA.



B. LOWENSTEIN & BROS., INC.
MEMPHIS, TENN.



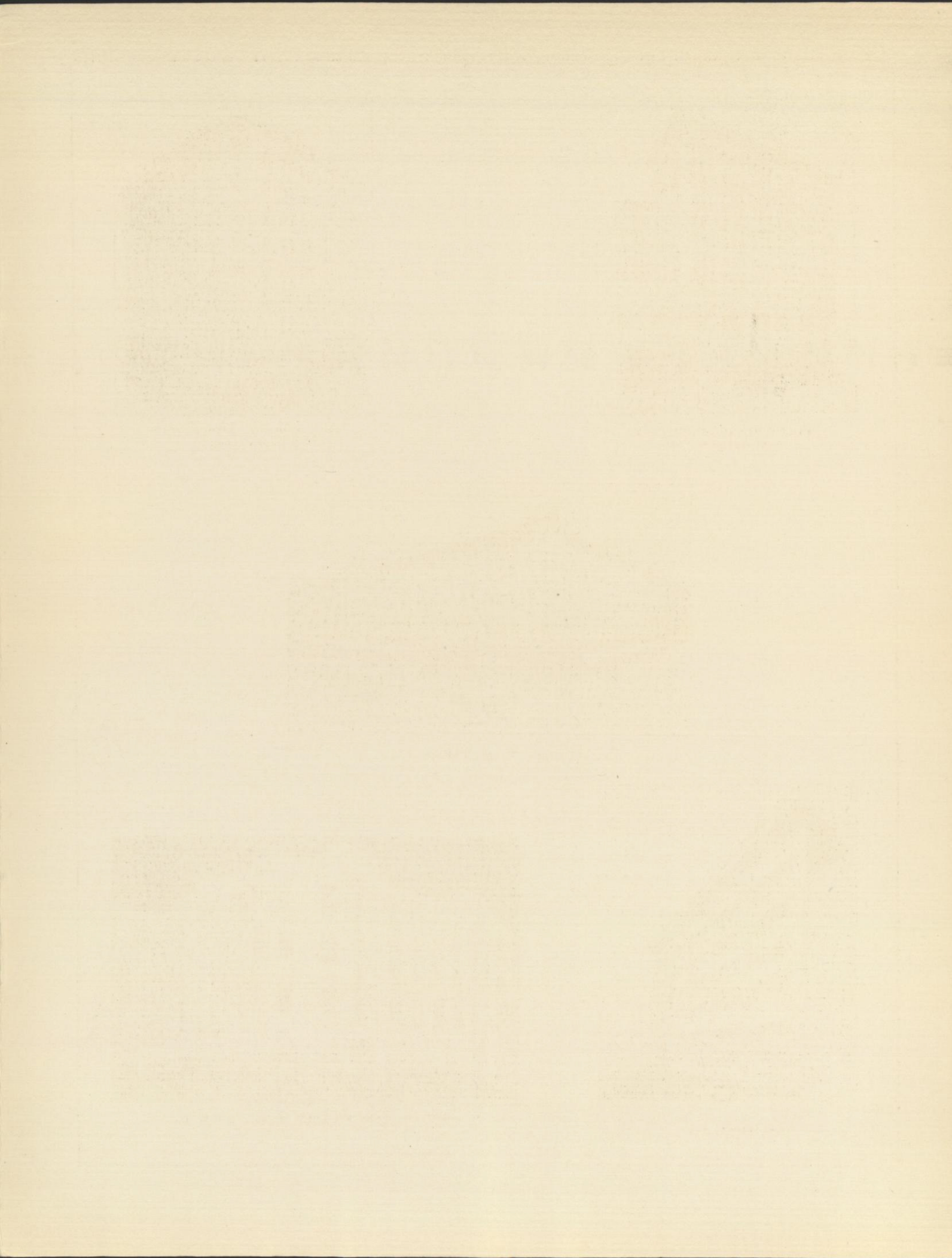
LIT BROS.—PHILADELPHIA, PA.



KAUFMAN-STRAUS CO., INC.
LOUISVILLE, KY.



LOVEMAN, JOSEPH & LOEB—BIRMINGHAM, LA.



THE
LIBRARY OF THE
MUSEUM OF
ART AND HISTORY
NEW YORK